



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Daniel E. Logsdon Jr.
Commissioner

May 29, 2015

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2014-00450

Enclosed is a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the content of this memorandum should be submitted to the Commission within seven days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 782-2644.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Derouen".

Jeff Derouen
Executive Director

Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File 2014-00450

FROM: Chris Whelan^{new}, Financial Analysis

DATE: May 29, 2015

RE: Kentucky Power Company Fuel Adjustment Clause ("FAC")

On May 27, 2015, Commission Staff ("Staff") held an informal conference ("IC") with Kentucky Power Company ("Kentucky Power"), the Kentucky Industrial Utility Customers, Inc. ("KIUC"), and the Attorney General ("AG"). Commission Staff ("Staff") requested the IC to discuss Kentucky Power's responses to Staff's second information request. Notice of the IC was issued on April 22, 2015. A list of attendees is attached to this memorandum.

Kentucky Power requested Staff's questions in advance of the IC which Staff provided to Kentucky Power and the parties. Kentucky Power provided responses to the questions in advance of the IC which are attached to this memorandum. At the IC, Kentucky Power noted that the fourth paragraph provided in response to Item 2.c. of Staff's IC questions should be stricken. In addition, upon questioning by Staff, Kentucky Power agreed that row 15 of the attachment to Item 2.b. related to PJM Interconnection, LLC ("PJM") Loss Allocation should have contained a formula in the "OSS Ratio" column.

As a post-IC data request, Kentucky Power agreed to provide the following:

1. The supporting calculation of the .48 Monthly Off-system Load Ratio shown on the same attachment to Item 2.b. mentioned above.
2. A revised Attachment 1 to Staff's Second Request for Information, Item 12. For the month of August 2014, the revised spreadsheet will show a) how the amounts in the LSE portion of the schedule reconciles with the FAC filing for the expense month of August and b) how the total reconciles with amounts in the PJM invoice for August 2014.
3. A revised "invoice tie out attachment" to Item 2.d. or a reconciliation of the amounts on the attachment to the amounts included in the FAC filings for the expense months of July 2014 and August 2014.
4. Kentucky Power's position on whether PJM billing line items 1230, 1245, 2245, 1250, 1260, 2260, 1375, 2370, and 2375 are includible as fuel expense in the FAC as set forth in 807 KAR 5:056 if they were not being recovered through base rates or some other mechanism.

Kentucky Power stated during the IC that true-ups of amounts charged or credited by PJM are only made for the first 30 days and are included in the amounts shown in the final fuel cost schedule that is filed with the monthly FAC filing. Reconciliations made after that are considered a base rate item and are not recovered through the FAC.

The AG stated at the conclusion of the IC that, because of the Commission's Order issued on May 18, 2015 granting a stay on the portion of this proceeding related to allocation of fuel costs between native load customers and off-system sales, the AG did not plan to attend the June 2, 2015 hearing. There being nothing further to discuss, the meeting was adjourned

Attachment 1: Sign-In Sheet

Attachment 2: Kentucky Power's responses to Staff's IC information request

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE) CASE NO.
FUEL ADJUSTMENT CLAUSE OF KENTUCKY) 2014-00450
POWER COMPANY FROM NOVEMBER 1, 2012)
THROUGH OCTOBER 31, 2014)

May 27, 2015

Please sign in:

NAME

REPRESENTING

Matthew Baer

PSC - FA

Amy Elliott

Kentucky Power

MARK R. OVERSTREET

STILES + HARBISON For KPCo.

John Rogness

Kentucky Power

Steve Sharp

Kentucky Power

J.E.B. Pinney

PSC

MaryBeth Purvis

PSC

Quincy D. Teague

PSC

Jonathan Bayer

PSC

Ken Gish

Stiles + Harbison for KPCo. - by phone

Jennifer Hans

AG - by phone

Mark Leskowitz

Ky. Power - by phone

Steve Molnar

Ky. Power - by phone

Dick Quaintance

Mike Kurtz

Alex Vaughn

Jody Cohn

Ky. Power - by phone

KUCC - by phone

Ky. Power - by phone

KUCC - by phone

Question No: 1

Refer to Kentucky Power's response to Item 7.b. of Commission Staff's Second Request for Information ("Staff's Second Request"). The response states that only certain PJM billing line items are recovered through the fuel adjustment clause ("FAC") and the other items are recovered through base rates. Does Kentucky Power believe that it would be more appropriate to recover any of the "other items" through the FAC rather than base rates? If yes, which of the other PJM billing line items are more appropriately recovered through the FAC?

Answer:

Of the billing line items (BLIs) listed in the Company's response to Item 7.b. of Commission Staff's Second Request for Information, those items related to day ahead and balancing transmission congestion and transmission congestion credits (BLI's 1210, 1215, 1218, 2210, 2217 and 2218) could be considered to be fuel expense and be recovered through the FAC in accordance with 807 KAR 5:056 Section 1(3)(b):

actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) of this subsection, but excluding the cost of fuel related to purchases to substitute for the forced outages;

The transmission congestion BLIs relate to the financial settlement of physical congestion on the transmission system of the PJM RTO. The internal load portion of transmission congestion charges and credits directly relate to the Company's internal load and the generation and purchased power resources serving that internal load.

Although the expenses associated with the above PJM billing line items qualify for recovery through the Company's fuel adjustment clause, Paragraph 13 of the April 30, 2015 Settlement Agreement among Kentucky Power Company, Kentucky Industrial Utility Customers, Inc., and Kentucky School Boards Association provides for a different treatment of these expenses. That Settlement Agreement is now pending before the Commission for approval. If the Settlement Agreement is approved, it would not be appropriate for Kentucky Power to recover these billing line item expenses through its fuel adjustment clause beginning June 30, 2015 (the effective date of the agreement if approved) until further order of the Commission.

Question No: 2

Refer to the response to Item 12.a. of Staff's Second Request.

a. Regarding PJM billing line items 1200 and 2015, the response states that "The allocation of these amounts between off system sales obligations and Kentucky Power's internal load requirements is determined hourly based on the economic dispatch process in PowerTracker using the spot market energy purchase cost (\$/MWh) compared to the to the (sic) cost (\$/MWh) of other resources." Provide an example of the calculation of the allocation for one hour.

b. Regarding PJM billing line items 1220, 1225, 1420, 2220 and 2420, the response states that "The allocation of these amounts between off system sales obligations and internal load requirements is determined hourly based on the applicable purchase or load ratio associated with the respective internal and off system activity as a percentage of the total activity." Provide an example of the calculation of the allocation for one hour.

c. Refer to Attachment 1 to the response to Item 12. Explain where any of the amounts shown on this page are reflected in the FAC calculation and in the FAC supplemental/backup file.

d. Refer to Attachments 2 and 3 to the response to Item 12, the PJM invoices. Explain how these invoices support the amounts included in 1) Attachment 1 to the response to Item 12, and 2) the January 2014 and August 2014 expense month FAC filings.

a. The Company believes the intended line referenced in the question should be to 1200 and 1205 (Spot Market Energy).

Two Spot Market transactions may be reflected in the accounting process per hour. There will be one transaction to account for the Day Ahead activity and one transaction to account for Balancing activity. Each transaction will reflect the net of injections and withdrawals in the corresponding market settlement. If there is a net withdrawal for the market settlement, a purchase will be recorded reflecting the net withdrawal. If there is a net injection, a sale will be recorded. Please see attachment "Example Calculation of Spot Market Transactions.xlsx" for an example of the calculation.

Energy purchases from PJM are allocated between off system sales and internal load obligations by the economic dispatch during the reconstruction process. An example of the economic dispatch for one hour was included in response to KPSC Case No. 2014-00225 (KIUC first request), question 21 on KIUC_1_21_Attachment1 which is also being included with this email.

As is reflected in cells E5 and D5 of the "transactions and load" tab of KIUC_1_21_Attachment1.xls, there was a spot market purchase of 10.14 MWh at \$45.09/MWh. Because the net purchase was more expensive than the variable cost of the other resources, it was assigned to off-system sales and none of the purchase was assigned to internal load. If the purchase had been less expensive than the variable cost of the other resources, it would have been assigned to internal load.

b. PJM billing line items 1220, 1225, 1420, 2220 and 2420 refer to charges and credits relating to losses. 1220, 1225 refer to Day Ahead and Balancing Charges, 1420 refers to Load Reconciliation Charges, 2220 refers to Loss Credits, and 2420 refers to Load Reconciliation Loss Credits. Day Ahead and Balancing Charges and Credits are allocated hourly. Load Reconciliation Charges and Credits are allocated monthly. In both cases, the allocation mechanism referenced in the prior question assigns loss charges based on the ratio of off-system volume compared to internal load volume.

An example allocation of charge types 1220, 1225, 2220 for the hour referenced in KIUC_1_21_Attachment 1 is attached (see "Loss Allocation.xlsx"). Charge types 1420 and 2420 are monthly charges, so a monthly example is included in the attachment.

c. The marginal line loss amounts (as recorded in accounts 4470207 and 4470208) for the current month are located on page 2 of 5, Line H, of the monthly FAC filings. The previous month's marginal line loss amounts are included on page 5 of 5 at Line F. There was a typographical error in the marginal line loss amounts reported in the Company's response to KPSC 2-12. However, the marginal line loss amounts had been properly identified in the Company's response to KPSC 1-38 and its monthly FAC filings.

The purchased power amounts included in the Company's response to KPSC 2-12 under Account 5550001 include PJM true-ups and differences in the actual and estimated amounts.

The purchased power amounts included in the Company's response to KPSC 1-38 and also found in the Monthly FAC backup filing within the "Monthly Purchase Summary" are the given month's production data only and do not include PJM true-ups and differences in actual and estimated purchased power amounts.

Although, not specifically identified within the Company's backup filing or FAC, the purchases amounts as included in the response to KPSC 2-12 are the actual amounts that have been included in the Company's FAC calculation. Any true-ups to purchases amounts would be reflected in the Company's total purchases included within Page 4, Section B of the Company's Power Transaction Schedule that is filed within the Company's monthly FAC backup filing.

Please refer to subpart d below for additional data and a sample reconciliation.

d. Attached are the July 2014 and August 2014 invoices specifically for Kentucky Power. These invoices produced by PJM are the detailed bill of charges and credits related to Kentucky Power's resources and load. Activity is recorded in the general ledger for the respective production month as an estimate. Any true-ups from PJM and differences in the actual and estimated amounts are recorded in the following accounting month.

The invoice tie out attachment represents the reconciliation of the July 2014 and August 2014 amounts attributable to transmission losses and credits, spot energy, and load reconciliation amounts from PJM to the amounts recorded in the general ledger. These amounts are allocated to either internal load or off-system sales per the examples in subparts a and b above.

The Company selected July 2014 and August 2014 as opposed to January and August because of PJM billing complexities within the January 2014 PJM invoice. There was also some benefit to providing two consecutive months of data.

Cell Ref #	A	B	C	D	E	F	G	H
1)	KUIC Q1-21 Stacking, Heat Rate and Cost Calculations.							
2)	<u>Dispatch State</u>							
					Minimum Available Generation	Resulting Generation at Load Level (MWH)	Max Available Generation	Incremental Dispatch Cost at Output Level
3)	Hour (EPT)	Dispatch State	Resource					
4)	Resources							
5)	20140403 16	Actual	Rockport 2 KP AEG		75.00	195.15	195.15	26.66
6)		Actual	Mitchell 2 KP		221.85	390.00	390.00	30.04
7)		Actual	Rockport 1 KP AEG		75.00	197.85	197.85	27.31
8)		Actual	Big Sandy 1		100.00	234.00	234.00	35.20
9)			SPOT MARKET ENERGY - BAL		-	10.14	10.14	45.09
10)	Loads							
11)		Actual	LOAD OBLIGATION			(718.36)		
12)		Actual	MARGINAL_LOSS LOAD ADJUSTMENT			23.52		
13)		Actual	SPOT MARKET ENERGY - DA			(332.30)		
14)								
15)								
16)			Net Resources and Load			(0.00)		
17)	Resources							
18)								
19)								
20)		Internal Load	Rockport 1 KP AEG		75.00	138.15	197.85	25.59
21)		Internal Load	Rockport 2 KP AEG		75.00	152.90	195.15	25.59
22)		Internal Load	Mitchell 2 KP		221.85	303.79	390.00	25.59
23)		Internal Load	Big Sandy 1		100.00	100.00	234.00	33.01
24)		Internal Load	SPOT MARKET ENERGY - BAL		-	-	10.14	45.09
25)	Loads							
26)								
27)		Internal Load	LOAD OBLIGATION			(718.36)		
28)		Internal Load	MARGINAL_LOSS LOAD ADJUSTMENT			23.52		
29)		Internal Load	SPOT MARKET ENERGY - DA			-		
30)								
31)			Net Resources and Load			(0.00)		
32)	OFF SYSTEM ALLOCATION							
33)								
34)		OFF SYSTEM ALLOCATION	Rockport 2 KP AEG			42.25		
35)		OFF SYSTEM ALLOCATION	Mitchell 2 KP			86.21		
36)		OFF SYSTEM ALLOCATION	Rockport 1 KP AEG			59.70		
37)		OFF SYSTEM ALLOCATION	Big Sandy 1			134.00		
38)		OFF SYSTEM ALLOCATION	SPOT MARKET ENERGY - BAL			10.14		
39)								
40)								
41)			Total Allocation			332.30		
42)								
43)			Total Sales			332.30		

Notes:

- 1) Stacking starts with Actual generation and load for the hour. Sales load is then removed and the resources dispatched down to serve the revised load level.
- 2) The economic dispatch algorithm targets a solution where resources meet load and all unconstrained resources have the same incremental cost.

<u>Category</u>	<u>Transaction Category</u>	<u>Transaction Type</u>	<u>Price</u>	<u>MWH</u>
ADJUSTMENT	LOAD ADJUSTMENT	MARGINAL_LOSS LOAD ADJUSTMENT	0	-23.516
LOAD	INTERNAL LOAD	LOAD OBLIGATION	0	718.357
SALE	SPOT MARKET	SPOT MARKET ENERGY - DA	41.6	332.3
PURCHASE	SPOT MARKET	SPOT MARKET ENERGY - BAL	45.09	10.14

CELL REF #

A)

B)

C)

D)

E)

F)

G)

1)

A) Allocation of PJM Loss Charges

Allocated based on use of resource or load.

2)

3)	1220 - Day-Ahead Transmission Implicit Losses Charge	PJM Loss Charge	Off-System Allocation of Mwh from Economic Dispatch	Total Mwh	OSS Ratio	Off-System Loss Allocation	Internal Load Loss Allocation
4)	AEP	(142.94)	-	694.84	-	-	(142.94)
5)	Big Sandy 1	514.80	134.00	234.00	0.57	294.80	220.00
6)	Mitchell 2 KP	791.70	86.21	390.00	0.22	175.00	616.70
7)	Rockport 1 KP AEG	409.86	59.70	197.85	0.30	123.67	286.19
8)	Rockport 2 KP AEG	403.65	42.25	195.15	0.22	87.40	316.25
9)							

10)	1225 - Balancing Transmission Implicit Losses Charge	PJM Loss Charge	Off-System Allocation of Mwh from Economic Dispatch	Total Mwh	OSS Ratio	Off-System Loss Allocation	Internal Load Loss Allocation
11)	AEP	5.29	-	694.84	-	-	5.29
12)	Big Sandy 1	(55.38)	134.00	234.00	0.57	(31.71)	(23.67)
13)	Mitchell 2 KP	-	86.21	390.00	0.22	-	-
14)	Rockport 1 KP AEG	(0.37)	59.70	197.85	0.30	(0.11)	(0.26)
15)	Rockport 2 KP AEG	0.37	42.25	195.15		-	0.37
16)							
17)							
18)	Total Loss	1,926.98				649.04	1,277.94
19)							
20)							

CELL REF #	A)	B)	C)	D)	E)	F)	G)
21)	<u>B) Allocation of PJM Loss Credits</u>		Allocate based on ratio of allocated loss charges				
22)							
23)							
24)		<u>PJM Loss Credit</u>	Off-System Charges Total	Total Charges	Charge Allocation Ratio	Off-System Loss Allocation	Internal Load Loss Allocation
25)	<u>2220 - Transmission Losses Credit</u>	(358.59)	649.04	1,926.98	0.34	(120.78)	(237.81)
26)							
27)							
28)							
29)							
30)	<u>C) Allocation of Reconciliation Charges (Monthly)</u>		Allocated based on monthly load ratio.				
31)							
32)							
33)		<u>PJM Charge Total</u>	Monthly Off-System Load Ratio	Off-System Charge Total	LSE Charge Total		
34)	<u>1420 - Load Reconciliation for Transmission Losses Charge</u>	113.10	0.48	54.54	58.56		
35)	<u>2420 - Load Reconciliation for Transmission Losses Credit</u>	52.42	0.48	25.28	27.15		

Kentucky Power Company

Relationship Between KPCo GL Accounts , PJM Billing Line Items, and Allocation Entity

August 2014 Actual

GL Account Number	PJM Billing Line Item Category	Allocation Entity	August Business		September Business	Total August KPCo	PJM Invoice	Variance
			August Estimate (1)	July True-Up (2)	August True-Up (3)	Total (1+3)	August	KPCo vs. PJM
4470207	1220, 1225, 1420 - Loss Charges	LSE	765,041	2,778	22,799	787,840	787,840	0
4470209	1220, 1225, 1420 - Loss Charges	OSS	1,062,364	(2,395)	49,028	1,111,392	1,111,391	0
						-		-
4470208	2220, 2220A 2420 - Loss Credits	LSE	(79,204)	(2,579)	(628)	(79,832)	(79,832)	(0)
4470206	2220, 2220A, 1420 - Loss Credits	OSS	(112,018)	(4,640)	(832)	(112,850)	(112,850)	(0)
						-		-
5550001	1200, 1205, 1400, 1400A- Spot Market Energy Purchase	LSE	19,684	2,718	-	19,684	19,684	(0)
5550080	1200, 1205 - Spot Market Energy Purchase	OSS	2,808,642	(2,707)	-	2,808,642	2,808,642	(0)
						-		-
4470089	1200, 1205, 1400 - Spot Market Energy Purchase	LSE	(7,976,482)	356,498	-	(7,976,482)	(7,803,619)	(172,863)
4470103	1200, 1205 - Spot Market Energy Purchase	OSS	(17,643,857)	(356,498)	-	(17,643,857)	(17,816,721)	172,864
						-		-
Total			(21,155,830)	(6,825)	70,366	(21,085,464)	(21,085,464)	0

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 08/07/2014 10:48:46
BILLING PERIOD: 07/01/2014 to 07/31/2014

CHARGES	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
1100		Network Integration Transmission Service		\$3,566,731.04
1108		Transmission Enhancement		\$462,151.16
1120		Other Supporting Facilities		\$6,492.00
1130		Firm Point-to-Point Transmission Service		\$0.00
1140		Non-Firm Point-to-Point Transmission Service		\$0.00
1200		Day-ahead Spot Market Energy		\$(24,173,696.96)
1205		Balancing Spot Market Energy		\$2,214,471.96
1210		Day-ahead Transmission Congestion		\$2,867,465.46
1215		Balancing Transmission Congestion		\$(205,825.81)
1220		Day-ahead Transmission Losses		\$2,303,453.10
1225		Balancing Transmission Losses		\$(135,450.25)
1230		Inadvertent Interchange		\$5,127.86
1242		Day-Ahead Load Response Charge Allocation		\$1,621.50
1243		Real-Time Load Response Charge Allocation		\$4,010.55
1250		Meter Error Correction		\$(231.16)
1301		PJM Scheduling, System Control and Dispatch Service - Control Area Administration		\$96,114.78
1302		PJM Scheduling, System Control and Dispatch Service - FTR Administration		\$1,145.14
1303		PJM Scheduling, System Control and Dispatch Service - Market Support		\$62,370.09
1304		PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration		\$823.08
1305		PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.		\$0.00
1306		PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center		\$15,159.00
1307		PJM Scheduling, System Control and Dispatch Service - Market Support Offset		\$(7,343.47)
1308		PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration		\$(4,714.86)
1309		PJM Scheduling, System Control and Dispatch Service Refund - FTR Administration		\$(45.88)
1310		PJM Scheduling, System Control and Dispatch Service Refund - Market Support		\$(3,174.73)
1311		PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration		\$(50.04)
1313		PJM Settlement, Inc.		\$7,343.47
1314		Market Monitoring Unit (MMU) Funding		\$6,550.23
1315		FERC Annual Recovery		\$39,877.41
1316		Organization of PJM States, Inc. (OPSI) Funding		\$397.66
1317		North American Electric Reliability Corporation (NERC)		\$6,078.19
1318		Reliability First Corporation (RFC)		\$8,634.43
1320		Transmission Owner Scheduling, System Control and Dispatch Service		\$71,972.48

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 08/07/2014 10:48:46
BILLING PERIOD: 07/01/2014 to 07/31/2014

1330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$163,325.88
1340		Regulation and Frequency Response Service		\$114,467.09
1360		Synchronized Reserve		\$12,509.69
1362		Non-Synchronized Reserve		\$4,813.65
1365		Day-ahead Scheduling Reserve		\$70.94
1370		Day-ahead Operating Reserve		\$48,010.82
1371		Day-ahead Operating Reserve for Load Response		\$17.52
1375		Balancing Operating Reserve		\$61,940.44
1376		Balancing Operating Reserve for Load Response		\$26.53
1377		Synchronous Condensing		\$29.15
1378		Reactive Services		\$168.04
1380		Black Start Service		\$203,933.02
1400		Load Reconciliation for Spot Market Energy		\$(39,083.27)
1410		Load Reconciliation for Transmission Congestion		\$(2,295.86)
1420		Load Reconciliation for Transmission Losses		\$(68.64)
1430		Load Reconciliation for Inadvertent Interchange		\$(6.76)
1440		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		\$(172.24)
1441		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		\$6.17
1442		Load Reconciliation for Schedule 9-6 - Advanced Second Control Center		\$(21.20)
1444		Load Reconciliation for Market Monitoring Unit (MMU) Funding		\$(3.25)
1445		Load Reconciliation for FERC Annual Recovery		\$(58.55)
1446		Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		\$(0.58)
1447		Load Reconciliation for North American Electric Reliability Corporation (NERC)		\$(8.93)
1448		Load Reconciliation for Reliability First Corporation (RFC)		\$(12.68)
1450		Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		\$(69.15)
1460		Load Reconciliation for Regulation and Frequency Response Service		\$(258.26)
1470		Load Reconciliation for Synchronized Reserve		\$(114.50)
1472		Load Reconciliation for Non-Synchronized Reserve		\$(12.94)
1475		Load Reconciliation for Day-ahead Scheduling Reserve		\$(0.15)
1478		Load Reconciliation for Balancing Operating Reserve		\$(34.51)
1480		Load Reconciliation for Synchronous Condensing		\$(0.63)
1490		Load Reconciliation for Reactive Services		\$(0.08)
1500		Financial Transmission Rights Auction		\$502,203.72
1720		RTO Start-up Cost Recovery		\$9,809.95
1730		Expansion Cost Recovery		\$5,920.07
1120	A	Other Supporting Facilities	05/01/2014	\$2.27
1120	A	Other Supporting Facilities	06/01/2014	\$668.70

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 08/07/2014 10:48:46
BILLING PERIOD: 07/01/2014 to 07/31/2014

1120	A	Other Supporting Facilities	07/01/2014	\$(15,338.55)
1243	A	Real-Time Load Response Charge Allocation	05/01/2014	\$377.15
1304	A	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	06/01/2014	\$(0.01)
1340	A	Regulation and Frequency Response Service	06/01/2014	\$(3.19)
1360	A	Synchronized Reserve	01/01/2014	\$1,898.85
1360	A	Synchronized Reserve	06/01/2014	\$1.37
1375	A	Balancing Operating Reserve	01/01/2014	\$(5.94)
1375	A	Balancing Operating Reserve	02/01/2014	\$19.70
1375	A	Balancing Operating Reserve	05/01/2014	\$1,014.39
1375	A	Balancing Operating Reserve	06/01/2014	\$954.45
1376	A	Balancing Operating Reserve for Load Response	04/01/2014	\$(0.06)
1376	A	Balancing Operating Reserve for Load Response	05/01/2014	\$(0.03)
1378	A	Reactive Services	06/01/2014	\$945.01
1380	A	Black Start Service	06/01/2014	\$0.64
1911	A	Michigan - Ontario Interface Phase Angle Regulators	06/01/2014	\$1,641.69
Total Charges				(\$11,705,335.63)

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 08/07/2014 10:48:46
BILLING PERIOD: 07/01/2014 to 07/31/2014

CREDITS	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
2100		Network Integration Transmission Service		\$0.00
2130		Firm Point-to-Point Transmission Service		\$50,389.49
2140		Non-Firm Point-to-Point Transmission Service		\$3,434.82
2210		Transmission Congestion		\$495,771.64
2220		Transmission Losses		\$234,362.53
2320		Transmission Owner Scheduling, System Control and Dispatch Service		\$0.00
2330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$213,929.84
2340		Regulation and Frequency Response Service		\$41,188.87
2360		Synchronized Reserve		\$2,722.33
2365		Day-ahead Scheduling Reserve		\$0.21
2370		Day-ahead Operating Reserve		\$0.00
2375		Balancing Operating Reserve		\$0.00
2380		Black Start Service		\$0.00
2420		Load Reconciliation for Transmission Losses		\$(341.36)
2510		Auction Revenue Rights		\$502,240.30
2130	A	Firm Point-to-Point Transmission Service	02/01/2014	\$(4.92)
2130	A	Firm Point-to-Point Transmission Service	03/01/2014	\$(1.00)
2140	A	Non-Firm Point-to-Point Transmission Service	06/01/2014	\$183.86
2210	A	Transmission Congestion	06/01/2014	\$0.00
2220	A	Transmission Losses	06/01/2014	\$(381.31)
Total Credits				\$1,543,495.30

July Summary

1200	(24,173.696.96)
1209	2,214,471.96
1220	2,303,458.10
1225	(135,450.25)
1420	(68.64)
2220	(234,362.53)
2420	341.36
2220A	381.31
Total	(20,024,930)

Kentucky Power Company

Relationship Between KPCo GL Accounts , PJM Billing Line Items, and Allocation Entity

July 2014 Actual

GL Account Number	PJM Billing Line Item Category	Allocation Entity	July Business		August Business	Total July KPCo	PJM Invoice	Variance
			July Estimate (1)	June True-Up (2)	July True-Up (3)	Total (1+3)	July	KPCo vs. PJM
4470207	1220, 1225, 1420 - Loss Charges	LSE	842,700	(227)	2,603	845,303	845,303	0
4470209	1220, 1225, 1420 - Loss Charges	OSS	1,325,027	227	(2,395)	1,322,632	1,322,632	0
						-		-
4470208	2220, 2220A 2420 - Loss Credits	LSE	(92,439)	1,884	(2,604)	(95,043)	(95,043)	(0)
4470206	2220, 2220A, 1420 - Loss Credits	OSS	(133,758)	2,605	(4,839)	(138,597)	(138,597)	0
						-		-
5550001	1200, 1205, 1400, 1400A- Spot Market Energy Purchase	LSE	40,676	910	2,718	43,394	43,394	0
5550080	1200, 1205 - Spot Market Energy Purchase	OSS	3,038,569	(910)	(2,707)	3,035,862	3,035,862	(0)
						-		-
4470089	1200, 1205, 1400 - Spot Market Energy Purchase	LSE	(9,186,190)	202,870	356,498	(8,829,692)	(8,829,692)	(0)
4470103	1200, 1205 - Spot Market Energy Purchase	OSS	(15,852,291)	(202,870)	(356,498)	(16,208,789)	(16,208,789)	(0)
Total			(20,017,707)	4,489	(7,224)	(20,024,931)	(20,024,930)	(0)

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
 CUSTOMER IDENTIFIERS: AEPKPD (17528)
 FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
 BILLING PERIOD: 08/01/2014 to 08/31/2014

CHARGES	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
1100		Network Integration Transmission Service		\$3,566,731.04
1108		Transmission Enhancement		\$462,151.16
1120		Other Supporting Facilities		\$6,492.00
1130		Firm Point-to-Point Transmission Service		\$0.00
1140		Non-Firm Point-to-Point Transmission Service		\$0.00
1200		Day-ahead Spot Market Energy		\$(24,763,520.69)
1205		Balancing Spot Market Energy		\$1,971,507.48
1210		Day-ahead Transmission Congestion		\$843,177.71
1215		Balancing Transmission Congestion		\$842.47
1220		Day-ahead Transmission Losses		\$1,995,995.75
1225		Balancing Transmission Losses		\$(99,768.59)
1230		Inadvertent Interchange		\$3,692.45
1242		Day-Ahead Load Response Charge Allocation		\$4,373.06
1243		Real-Time Load Response Charge Allocation		\$2,731.18
1250		Meter Error Correction		\$68.91
1301		PJM Scheduling, System Control and Dispatch Service - Control Area Administration		\$96,435.51
1302		PJM Scheduling, System Control and Dispatch Service - FTR Administration		\$1,145.14
1303		PJM Scheduling, System Control and Dispatch Service - Market Support		\$65,386.17
1304		PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration		\$870.72
1305		PJM Scheduling, System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.		\$0.00
1306		PJM Scheduling, System Control and Dispatch Service - Advanced Second Control Center		\$17,912.72
1307		PJM Scheduling, System Control and Dispatch Service - Market Support Offset		\$(7,699.20)
1308		PJM Scheduling, System Control and Dispatch Service Refund - Control Area Administration		\$(4,730.58)
1309		PJM Scheduling, System Control and Dispatch Service Refund - FTR Administration		\$(45.88)
1310		PJM Scheduling, System Control and Dispatch Service Refund - Market Support		\$(3,328.38)
1311		PJM Scheduling, System Control and Dispatch Service Refund - Regulation Market Administration		\$(52.90)
1313		PJM Settlement, Inc.		\$7,699.20
1314		Market Monitoring Unit (MMU) Funding		\$6,867.18
1315		FERC Annual Recovery		\$40,010.50
1316		Organization of PJM States, Inc. (OPSI) Funding		\$398.97
1317		North American Electric Reliability Corporation (NERC)		\$6,098.45
1318		Reliability First Corporation (RFC)		\$8,663.25
1320		Transmission Owner Scheduling, System Control and Dispatch Service		\$72,212.63

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

1330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$164,673.97
1340		Regulation and Frequency Response Service		\$81,171.04
1360		Synchronized Reserve		\$11,612.30
1362		Non-Synchronized Reserve		\$1,415.09
1365		Day-ahead Scheduling Reserve		\$9.98
1370		Day-ahead Operating Reserve		\$44,663.26
1375		Balancing Operating Reserve		\$59,248.05
1376		Balancing Operating Reserve for Load Response		\$12.30
1380		Black Start Service		\$192,075.83
1400		Load Reconciliation for Spot Market Energy		\$(97,015.25)
1410		Load Reconciliation for Transmission Congestion		\$4,636.75
1420		Load Reconciliation for Transmission Losses		\$3,004.01
1430		Load Reconciliation for Inadvertent Interchange		\$(31.55)
1440		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		\$(382.30)
1441		Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		\$13.70
1442		Load Reconciliation for Schedule 9-6 - Advanced Second Control Center		\$(0.16)
1444		Load Reconciliation for Market Monitoring Unit (MMU) Funding		\$(7.25)
1445		Load Reconciliation for FERC Annual Recovery		\$(129.96)
1446		Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		\$(1.30)
1447		Load Reconciliation for North American Electric Reliability Corporation (NERC)		\$(19.81)
1448		Load Reconciliation for Reliability First Corporation (RFC)		\$(28.14)
1450		Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		\$(153.48)
1460		Load Reconciliation for Regulation and Frequency Response Service		\$(418.45)
1470		Load Reconciliation for Synchronized Reserve		\$(63.45)
1472		Load Reconciliation for Non-Synchronized Reserve		\$(12.92)
1475		Load Reconciliation for Day-ahead Scheduling Reserve		\$0.21
1478		Load Reconciliation for Balancing Operating Reserve		\$(27.33)
1490		Load Reconciliation for Reactive Services		\$(19.02)
1500		Financial Transmission Rights Auction		\$502,203.72
1720		RTO Start-up Cost Recovery		\$9,809.95
1730		Expansion Cost Recovery		\$5,920.07
1120	A	Other Supporting Facilities	06/01/2014	\$(131.38)
1120	A	Other Supporting Facilities	07/01/2014	\$457.80
1120	A	Other Supporting Facilities	08/01/2014	\$(2,048.28)
1304	A	PJM Scheduling, System Control and Dispatch Service - Regulation Market Administration	07/01/2014	\$0.02
1340	A	Regulation and Frequency Response Service	07/01/2014	\$3.52

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

1375	A	Balancing Operating Reserve	12/01/2013	\$259.81
1375	A	Balancing Operating Reserve	01/01/2014	\$8,376.84
1375	A	Balancing Operating Reserve	05/01/2014	\$403.29
1375	A	Balancing Operating Reserve	07/01/2014	\$(95.71)
1380	A	Black Start Service	07/01/2014	\$2.52
1911	A	Michigan - Ontario Interface Phase Angle Regulators	07/01/2014	\$1,590.31
Total Charges				(\$14,706,703.97)

CUSTOMER ACCOUNT: Appalachian Power Company (Kentucky Power Dedicated)
CUSTOMER IDENTIFIERS: AEPKPD (17528)
FINAL BILLING STATEMENT ISSUED: 09/08/2014 08:58:20
BILLING PERIOD: 08/01/2014 to 08/31/2014

CREDITS	ADJ	BILLING LINE ITEM NAME	SOURCE BILLING PERIOD START	AMOUNT
2100		Network Integration Transmission Service		\$0.00
2130		Firm Point-to-Point Transmission Service		\$48,452.14
2140		Non-Firm Point-to-Point Transmission Service		\$2,812.06
2210		Transmission Congestion		\$227,551.32
2220		Transmission Losses		\$193,578.19
2320		Transmission Owner Scheduling, System Control and Dispatch Service		\$0.00
2330		Reactive Supply and Voltage Control from Generation and Other Sources Service		\$213,929.84
2340		Regulation and Frequency Response Service		\$54,733.08
2360		Synchronized Reserve		\$968.47
2365		Day-ahead Scheduling Reserve		\$0.00
2370		Day-ahead Operating Reserve		\$0.00
2375		Balancing Operating Reserve		\$0.00
2380		Black Start Service		\$0.00
2420		Load Reconciliation for Transmission Losses		\$(914.22)
2510		Auction Revenue Rights		\$502,293.00
2140	A	Non-Firm Point-to-Point Transmission Service	07/01/2014	\$118.47
2210	A	Transmission Congestion	06/01/2014	\$0.00
2210	A	Transmission Congestion	07/01/2014	\$0.00
2220	A	Transmission Losses	07/01/2014	\$18.06
2640	A	Incremental Capacity Transfer Rights	02/01/2014	\$(6.48)
Total Credits				\$1,243,533.93

August Summary

1200	(24,763,520.69)
1205	1,971,507.48
1222	1,995,995.75
1225	(99,768.59)
1420	3,004.01
2220	(193,578.19)
2240	914.22
2220	(18.06)
Total	(21,085,463.07)

Question No: 3

Was fuel in excess of the peaking unit equivalent recovered through the fuel adjustment clause during the months of May 2014 through October 2014? If yes, provide the amounts by month.

Answer:

Yes. For the expense month May 2014 \$94,945 of purchased power costs in excess of the peaking unit equivalent limitation was recovered initially through the fuel adjustment clause. That amount subsequently was refunded as a credit in the October 2014 expense month.

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Judy K Rosquist
Kentucky Power Company
101 A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

*Amy J Elliott
Kentucky Power Company
101 A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

*Jennifer Black Hans
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

*Kentucky Power Company
101 A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Jody M Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Honorable Mark R Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634